

Message Text

CONFIDENTIAL

PAGE 01 CARACA 03902 031558Z

50

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 PC-04 NIC-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /163 W

----- 022715

P 031457Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3631

C O N F I D E N T I A L CARACAS 3902

E.O. 11652: GDS

TAGS: EMIN PGOV PFOR ENRG ELAB VE

SUBJECT: PRESIDENT PEREZ' ECONOMIC PROGRAM--SOME
BACKGROUND AND ANALYSIS

REF: CARACAS 3769 AND SUBSEQUENT MESSAGES

SUMMARY: WHAT HAS BEEN PRESENTED OF PRESIDENT PEREZ' NEW ECONOMIC POLICY IS SO FAR-REACHING IN ITS NATIONALISM AND RE-STRUCTURING OF THE ECONOMIC SYSTEM THAT LOCAL OBSERVERS MOST AFFECTED ARE DEFERRING COMMENT PENDING FURTHER STUDY. ON THEIR FACE PEREZ' MAY DAY PRONOUNCEMENTS AND ASSOCIATED LEGISLATIVE ACTS SEEM TO CONFIRM A COMMITMENT TO NARROWING THE INCOME DISTRIBUTION GAP REGARDLESS OF ESTABLISHMENT FEELINGS. HE IS ALSO ATTACKING FOREIGN INVESTMENT. HE DOES NOT SEEM TO EXCLUDE PARTICIPATION BY FOREIGN AND DOMESTIC PRIVATE CAPITAL IN VENEZUELA'S ECONOMIC LIFE, BUT HE IS CERTAINLY INCREASING CONTROL OVER IT AND LIMITING ITS FIELD OF ACTION. PEREZ APPEARS TO BELIEVE THAT IF HIS ADMINISTRATION CANNOT MEET THE RISING EXPECTATIONS OF A MAJORITY OF HIS FELLOW CITIZENS THEN DEMOCRACY IS FINISHED HERE. HE IS SEEKING TO AVOID THIS RESULT IN A SINGLE-MINDED WAY AND WITH A TYPE OF IDEALISM IN HIS EXHORTATIONS. WHATEVER HE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 03902 031558Z

THINKS OF HIS PROGRAM'S

CONTENT (AS REVEALED SO FAR) PEREZ PROBABLY ASSUMES THAT HE HAS WIDESPREAD DOMESTIC SUPPORT. END SUMMARY.

1. PRESIDENT PEREZ' NEW ECONOMIC POLICY FOR VENEZUELA AS REVEALED IN HIS MAY DAY (APRIL 29) ADDRESS, THE IMPLEMENTING DECREES ANNOUNCED IN IT, AND THE FLURRY OF BILLS INTRODUCED SIMULTANEOUSLY IN THE CONGRESS HAS PRODUCED A TREMENDOUS IMPACT HERE. ITS ELEMENTS ARE SO VOLUMINOUS AND FAR-REACHING THAT LOCAL OBSERVERS WHO WERE MOST AFFECTED ARE REFUSING EXTENSIVE COMMENT PENDING THOROUGH STUDY. PARTICULARLY STUNNED WERE COPEI AND THE REST OF THE OPPOSITION, WHICH HAD TAKEN IT AS AN ARTICLE OF FAITH THAT PEREZ AND ACCION DEMOCRATICA WERE IN LEAGUE WITH FOREIGN AND DOMESTIC PRIVATE CAPITAL, ONLY TO BE CONFRONTED WITH A PROGRAM WHICH, IN ITS OWN WAY, IS MORE REVOLUTIONARY THAN ANY SEEN IN THE PAST FIVE YEARS UNDER A COPEI ADMINISTRATION.

2. PEREZ SEEMS TO BE SAYING THAT HIS ELECTION SLOGAN "PACT WITH THE POOR", I.E., TRYING TO NARROW THE INCOME DISTRIBUTION GAP, IS IN FACT THE BASIS OF HIS ENTIRE DOMESTIC POLICY. HOWEVER, HE IS ALSO ATTACKING FOREIGN INVESTMENT, COURSE OF ACTION THAT COULD RUN COUNTER TO HIS INTENT TO IMPROVE THE LOT OF THE POOR. IT NOW SEEMS CLEAR THAT PEREZ IS PREPARED TO STEP ON MANY ESTABLISHMENT TOES, FOREIGN AND DOMESTIC, IN IMPLEMENTING HIS PROGRAM. HOWEVER, THE DETAILS OF SOME OF HIS PROPOSALS REMAIN TO BE SPELLED OUT, AND THERE ARE LOOPHOLES WHICH COULD SOFTEN THE IMPACT. ALSO, IN A COUNTRY WHERE MANY DRACONIAN LAWS, REGULATIONS, AND

PRONOUNCEMENTS GATHER DUST, SOME OF PEREZ' POLICIES, LIKE HIS WIDELY IGNORED BAN ON HORN-HONKING AND HIS EDICT OPENING BEACHES TO THE PUBLIC, WILL PROVE EPHEMERAL. HOWEVER, SINCE THE SUCCESS OF PEREZ' ECONOMIC POLICY IS FUNDAMENTAL TO THE SUCCESS OF HIS ADMINISTRATION, HE WILL BE ANXIOUS TO FOLLOW THROUGH ON MUCH OF HIS PROGRAM.

3. AS FOR PEREZ' MOTIVATION, HE BELIEVES, AS HE SAID IN HIS SPEECH, THAT "THIS IS THE LAST OPPORTUNITY TO STRENGTHEN DEMOCRACY." HE FEARS THAT, GIVEN HIS MANDATE AND HIS PARTY'S MAJORITIES IN THE CONGRESS, IF HE CANNOT MAKE A DEMOCRATIC SYSTEM MEET THE NEEDS OF THE MAJORITY OF VENEZUELANS, THEN DEMOCRACY IN THIS COUNTRY
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 03902 031558Z

WILL RAPIDLY DISAPPEAR. WHETHER ONE AGREES OR NOT WITH THE ACTIONS PEREZ IS TAKING TO FORESTALL THIS EVENTUALITY, ONE CAN UNDERSTAND THE URGENCY SUCH AN APOCALYPTIC OUTLOOK GIVES HIM. FURTHER, WHILE PEREZ MAY BE IGNORANT ABOUT ECONOMICS AND CAPITAL INCENTIVES, NO ONE CAN DENY HIS SHREWDNESS ABOUT VENEZUELAN POLITICAL REALITIES.

4. THE SPEECH PUT ALL PRIVILEGED SECTORS--DOMESTIC AS WELL AS

FOREIGN--ON NOTICE THAT HENCEFORTH THEIR ROLE WILL BE PLAYED OUT WITHIN THE CONTEXT OF AN ATTEMPTED SOCIAL AND ECONOMIC OVERHAUL. NEVERTHELESS, PEREZ HAS LEFT HIMSELF SOME FLEXIBILITY AS TO HOW HIS MEASURES WILL BE IMPLEMENTED, BOTH THROUGH USE OF VAGUE AND FUZZY WORDING AND THROUGH OMISSION OF IMPORTANT DETAILS OF SOME PROPOSALS.

5. IRONICALLY, PRESIDENT PEREZ SHARES WITH SOME OF THIS NATION'S ANDEAN CAUDILLOS A SINGLE-MINDED DRIVE AND A CERTAIN IDEALISM WHICH IS ALIEN TO THE MORE "TROPICAL" CRIOLLOS OF THE BIG CITIES, THE CENTER AND THE EAST. ALSO IRONICALLY, NATIONALISM, WHICH PEREZ' COPEI PREDECESSOR BRANDISHED FOR EFFECT, AND THE EXTREME MANIFESTATION OF WHICH HE HAS SOMETIMES DISDAINED, IS BECOMING FOR PRESIDENT PEREZ AN ARTICLE OF FAITH INEXTRICABLY LINKED TO THE FUTURE OF DEMOCRACY IN VENEZUELA. THESE FACTORS ARE COUPLED WITH PEREZ' POLITICAL

POWER TO MAKE ALMOST ANY CHANGES HE WANTS IN VENEZUELA'S ECONOMIC LAWS AND REGULATIONS--HE CAN, IF HE WISHES, EVEN AMEND THE CONSTITUTION WITHOUT ASSISTANCE FROM OTHER PARTIES. THUS, ALTHOUGH THE EMBASSY DOUBTS THAT HIS PRONOUNCEMENTS, INCLUDING THE MAY DAY (APRIL 29) ADDRESS, SHOULD BE VIEWED AS A DETAILED BLUEPRINT OF EXACTLY WHAT HE WILL DO, THE HARD FACT IS THAT, POLITICALLY, HE CAN DO LARGELY WHAT HE CHOOSES

MCCLINTOCK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, SPEECHES, ECONOMIC PROGRAMS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA03902
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740106-1079
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740577/aaaacrco.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: CARACAS 3769 AND SUBSEQUENT MESSAGES
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <10 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT PEREZ' ECONOMIC PROGRAM--SOME BACKGROUND AND ANALYSIS
TAGS: EMIN, PGOV, PFOR, ENRG, ELAB, VE, (PEREZ, CARLOS ANDRES)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005